

HOUSE BILL 750

Introduced by Cobb

2/11	Introduced
2/11	Referred to Taxation
2/12	First Reading
2/12	Fiscal Note Requested
2/23	Fiscal Note Received
2/24	Fiscal Note Printed
3/05	Hearing
3/05	Tabled in Committee

1 HOUSE BILL NO. 750  
2 INTRODUCED BY Coll

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE LAWS ON  
5 SALES ASSESSMENT RATIO STUDIES; TO ALLOW APPEALS REGARDING  
6 VALUE AFTER THE SALES ASSESSMENT RATIO PERCENTAGE  
7 ADJUSTMENT; TO REQUIRE THAT THE SALES ASSESSMENT RATIO  
8 STUDIES BE DEVELOPED BY A STATISTICIAN WHO IS NOT AN  
9 EMPLOYEE OF THE DEPARTMENT OF REVENUE; TO ESTABLISH AN  
10 INDEPENDENT GROUP OF STATISTICIANS TO REVIEW THE STUDY; TO  
11 REQUIRE THAT AN AREA BE REAPPRAISED IF THE COEFFICIENT OF  
12 DISPERSION OF APPRAISED VALUE TO AVERAGE SELLING PRICE  
13 EXCEEDS 15 PERCENT; TO PROVIDE FOR A PHASE-IN OF ANNUAL  
14 ADJUSTMENTS THAT EXCEED 10 PERCENT; TO REQUIRE THE USE OF  
15 STANDARDS FOR APPRAISING PROPERTY WITHOUT OTHER STATUTORY  
16 STANDARDS; TO DELETE THE PERIODIC PROPERTY REVALUATION  
17 CYCLE; AMENDING SECTIONS 15-1-402, 15-6-133, 15-6-134,  
18 15-6-142, 15-7-102, 15-7-103, 15-7-111, 15-7-113, 15-7-114,  
19 15-7-201, 15-7-202, 15-10-412, AND 77-1-208, MCA; REPEALING  
20 SECTIONS 15-7-131, 15-7-132, AND 15-7-133, MCA; AND  
21 PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY  
22 DATE."

23  
24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

25 **Section 1.** Section 15-7-111, MCA, is amended to read:

1 "15-7-111. Periodic--revaluation Revaluation of taxable  
2 property -- publication of sales assessment ratio studies --  
3 appeal of revaluations. (1) ~~The department of revenue shall~~  
4 ~~administer--and--supervise--a program for the revaluation of~~  
5 ~~all taxable property within the state at least every 5~~  
6 ~~years. A comprehensive written reappraisal plan shall be~~  
7 ~~promulgated by the department. The reappraisal plan adopted~~  
8 ~~shall provide that all property in each county shall be~~  
9 ~~revalued at least every 5 years. The department shall~~  
10 ~~furnish a copy of the plan and all amendments to the plan to~~  
11 ~~the board of county commissioners in each county.~~

12 (2) ~~The new values determined during a revaluation~~  
13 ~~cycle must be provided to the taxpayers at the end of the~~  
14 ~~revaluation cycle but may not be placed on the tax rolls~~  
15 ~~until a year following the completion of the revaluation~~  
16 ~~cycle.~~

17 (3) ~~A taxpayer shall appeal the new value in advance of~~  
18 ~~its placement on the tax rolls by filing an appeal pursuant~~  
19 ~~to 15-15-102 before the first Monday in June or 15 days~~  
20 ~~after receiving notice of the new valuation amount,~~  
21 ~~whichever is later, or be barred from appealing for~~  
22 ~~untimeliness.~~

23 (4) For the taxable year beginning January 1, 1990, and  
24 for every taxable year thereafter, the department of revenue  
25 shall conduct a stratified sales assessment ratio study of



1 all residential land and improvements, agricultural 1-acre  
2 homesites and improvements, and commercial land and  
3 improvements. The sales assessment ratio based on property  
4 sales finalized and recorded by no later than November 1  
5 must be used to determine appraisals for the immediately  
6 succeeding tax year.

7 ~~†5†(2)~~ The study required in subsection ~~†4†~~ (1) must be  
8 based on:

9 (a) commonly accepted statistical standards and  
10 methodology;

11 (b) a statistically valid sample of sales, using data  
12 from realty transfer certificates filed for up to 3 taxable  
13 years prior to the year the study is made, taking into  
14 account the dates of the included sales in the statistical  
15 analysis; and

16 (c) the assessments and sales for areas of the state  
17 that are economically, demographically, and geographically  
18 similar in order to determine the sales assessment ratios  
19 for a specific area.

20 †3† The study must be developed by a statistician who  
21 is not an employee of the department. The study, its  
22 methodology, and the results of the study are subject to  
23 review by the group established in [section 2].

24 ~~†6†(4)~~ For purposes of conducting the study required by  
25 subsection ~~†4†~~ (1), the department, subject to review by the

1 group established in [section 2], shall partition the state  
2 into as many as 100 areas for residential property and as  
3 many as 20 areas for commercial property. The areas must  
4 contain statistically sufficient numbers of sales and be as  
5 economically and demographically homogeneous as reasonably  
6 practicable.

7 ~~†7†(5)~~ The department shall use the following procedure  
8 to validate sales information:

9 (a) Department staff who did not participate in the  
10 determination of appraised values are required to review the  
11 sales transactions evidenced by a realty transfer  
12 certificate. The review must be conducted to determine  
13 whether each sale used in the study was a valid,  
14 arm's-length transaction. Only valid, arm's-length sales may  
15 be used in the sales assessment ratio study.

16 (b) The sales information entered in the  
17 computer-assisted appraisal system is considered  
18 confidential, as provided in 15-7-308. However, the  
19 department shall annually publish a report containing the  
20 results of all sales assessment ratio studies done in each  
21 of the areas described in subsection ~~†6†~~ (4). The report  
22 containing the results of the study must be made available  
23 to the public by request or by general disclosure.

24 (c) The department shall exclude from the sales  
25 assessment ratio study any parcels in which the improvements

1 have been remodeled, reconstructed, or expanded between the  
2 time of the assessment and the time of the sales.

3 (d) The department shall exclude sales assessment  
4 ratios of less than 50% or greater than 200%.

5 (e) If the coefficient of dispersion of appraised value  
6 to the average selling price of an area exceeds 15%, the  
7 area must be revalued pursuant to [section 3].

8 ~~†0†~~(6) (a) The department shall have equalized property  
9 values throughout the state and may not make further  
10 adjustments to values under this section when the  
11 assessments for each stratum within each area identified in  
12 subsection ~~†6†~~ (4) are rescaled to bring all ratios to  
13 common value 1 and when the sample size produces a standard  
14 error of less than 5%.

15 (b) Under the method described in subsection ~~†0†~~  
16 (6)(a), taxable property in each area is considered revalued  
17 for each tax year, based on the results of the sales  
18 assessment ratio study and the adjustments required by that  
19 study.

20 (c) Assessments in an area are considered equalized  
21 under subsection ~~†0†~~(6)(a) if the ratio for the area is  
22 within plus or minus 5% of common value 1."

23 NEW SECTION. Section 2. Independent reappraisal ratio  
24 study group -- duties. (1) The presidents of the university  
25 of Montana and of Montana state university shall each

1 appoint one faculty member involved in teaching or research  
2 in statistics to be a member of a group that reviews the  
3 stratified sales assessment ratio study conducted by the  
4 department of revenue. The two appointed members shall  
5 choose another person knowledgeable in statistics to be the  
6 chairman of the group. If the members cannot agree on a  
7 chairman, the president of eastern Montana college may  
8 appoint a faculty member involved in teaching or research in  
9 statistics to be the chairman of the group.

10 (2) The group shall review the methodology, data, and  
11 results of the sales assessment ratio study conducted by the  
12 department. The group may not directly participate in the  
13 formulation of the study or policies required for its  
14 implementation.

15 (3) After the department has proposed changes in  
16 percentage adjustments, stratum, area designations, and  
17 other matters relating to the sales assessment ratio study  
18 to be adopted under 15-7-102(7), the group shall review the  
19 department's proposal. The review must be printed in the  
20 Montana Administrative Register no later than 30 days prior  
21 to the date on which the department proposes to adopt rules  
22 on a matter the group has reviewed.

23 NEW SECTION. Section 3. Coefficient of dispersion  
24 greater than fifteen percent -- revaluation required. The  
25 department of revenue shall reappraise property in each area

1 that had a sales assessment ratio with a coefficient of  
 2 dispersion of appraised values to the average selling price  
 3 greater than 15%. Property located within an area being  
 4 reappraised under this section must be revalued according to  
 5 the reappraisal and not from application of percentage  
 6 adjustment from the sales assessment ratio study. In  
 7 subsequent years after reappraisal, the area is subject to  
 8 percentage adjustments based upon sales assessment ratio  
 9 studies.

10 NEW SECTION. **Section 4.** Sales assessment ratio  
 11 percentage adjustment increase greater than ten percent --  
 12 phase-in of increased value. A sales assessment ratio study  
 13 percentage adjustment that will produce a valuation increase  
 14 greater than 10% must be applied to the revalued property  
 15 over a period not to exceed 3 years. If a percentage  
 16 adjustment ratio exceeds 10%, the department of revenue  
 17 shall use 10% as the percentage adjustment for the first  
 18 year in which it is to be applied. In the second year, the  
 19 department shall add to the normal annual sales assessment  
 20 ratio percentage adjustment to be applied that year an  
 21 additional adjustment that, when applied the second year,  
 22 would make the valuations the same as if the whole first  
 23 year adjustment and the second year adjustment had been  
 24 separately applied. If the product of the first- and  
 25 second-year percentage adjustment is greater than 10%, the

1 department shall use 10% as the percentage adjustment and,  
 2 in the third year, add a percentage adjustment to the normal  
 3 annual sales assessment ratio percentage adjustment so that  
 4 the total percentage adjustment for that year would be the  
 5 same as if the original percentage adjustments for that year  
 6 and the prior 2 years had been applied separately. The  
 7 product of the third year sales assessment ratio percentage  
 8 adjustments may exceed 10%.

9 NEW SECTION. **Section 5.** Use of real property appraisal  
 10 standards. In valuing property for which a specific method  
 11 has not been established by law, the department must use  
 12 standards for the assessment of property promulgated by the  
 13 international association of assessing officers.

14 **Section 6.** Section 15-1-402, MCA, is amended to read:

15 "15-1-402. **Payment of taxes under protest -- action to**  
 16 **recover.** (1) The person upon whom a tax or license fee is  
 17 being imposed may proceed under 15-1-406 or may, before the  
 18 tax or license fee becomes delinquent, pay under written  
 19 protest that portion of the tax or license fee protested.  
 20 The payment must:

- 21 (a) be made to the officer designated and authorized to  
 22 collect it;  
 23 (b) specify the grounds of protest; and  
 24 (c) not exceed the difference between the payment for  
 25 the immediately preceding tax year and the amount owing in

1 the tax year protested unless a different amount results  
 2 from the specified grounds of protest, which grounds may  
 3 include but are not limited to changes in assessment due to  
 4 reappraisal under [section 4] or a percentage adjustment  
 5 under 15-7-111.

6 (2) After having exhausted the administrative appeals  
 7 available under Title 15, chapters 2 and 15, a person or his  
 8 legal representative may bring an action in any court of  
 9 competent jurisdiction against the officers to whom said tax  
 10 or license fee was paid or against the county or  
 11 municipality in whose behalf the same was collected and the  
 12 department of revenue.

13 (3) Both the officers to whom the tax or license fee  
 14 was paid or the county or municipality in whose behalf the  
 15 same was collected and the department of revenue must be  
 16 served with timely summons and complaint within the time  
 17 prescribed.

18 (4) An action instituted to recover any such portions  
 19 of tax or license fee paid under protest must be commenced  
 20 and summons timely served within 60 days after the date of  
 21 the final decision of the state tax appeal board.

22 (5) If a protested tax or license fee is payable in  
 23 installments, a subsequent installment portion considered  
 24 unlawful by the state tax appeal board need not be paid and  
 25 no action or suit need be commenced to recover the

1 subsequent installment. The determination of the action or  
 2 suit commenced to recover the first installment portion paid  
 3 under protest determines the right of the party paying such  
 4 subsequent installment to have the same or any part thereof  
 5 refunded to him or the right of the taxing authority to  
 6 collect a subsequent installment not paid by the taxpayer  
 7 plus interest from the date the subsequent installment was  
 8 due.

9 (6) All taxes and license fees paid under protest to a  
 10 county or municipality must be deposited by the treasurer of  
 11 the county or municipality to the credit of a special fund  
 12 to be designated as a protest fund and must be retained in  
 13 the protest fund until the final determination of any action  
 14 or suit to recover the same unless released at the request  
 15 of the county, municipality, or other local taxing  
 16 jurisdiction pursuant to subsection (7). Nothing contained  
 17 herein prohibits the investment of the money of this fund in  
 18 the state unified investment program or in any manner  
 19 provided in Title 7, chapter 6. The provision creating the  
 20 special protest fund does not apply to any payments made  
 21 under protest directly to the state.

22 (7) The governing board of a taxing jurisdiction  
 23 affected by the payment of taxes under protest in the second  
 24 and subsequent years that a tax protest remains unresolved  
 25 may demand that the treasurer of the county or municipality

1 pay the requesting taxing jurisdiction all or a portion of  
 2 the protest payments to which it is entitled, except the  
 3 amount paid by the taxpayer in the first year of the  
 4 protest. The decision in a previous year of a taxing  
 5 jurisdiction to leave protested taxes in the protest fund  
 6 does not preclude it from demanding in a subsequent year any  
 7 or all of the payments to which it is entitled, except the  
 8 first-year protest amount.

9 (8) (a) If no action is commenced within the time  
 10 herein specified or if such action is commenced and finally  
 11 determined in favor of the county or municipality or  
 12 treasurer thereof, the amount of the protested portions of  
 13 the tax or license fee must be taken from the protest fund  
 14 and deposited to the credit of the fund or funds to which  
 15 the same property belongs, less a pro rata deduction for the  
 16 costs of administration of the protest fund and related  
 17 expenses charged the local government units.

18 (b) If such action is finally determined adversely to a  
 19 county or municipality or the treasurer thereof, then the  
 20 treasurer shall, upon receiving a certified copy of the  
 21 final judgment in said action from the state tax appeal  
 22 board, or from the district or supreme court, as  
 23 appropriate, if the final action of the state tax appeal  
 24 board is appealed in the time prescribed, refund to the  
 25 person in whose favor such judgment is rendered the amount

1 of such protested portions of the tax or license fee  
 2 deposited in the protest fund, and not released pursuant to  
 3 subsection (7), as the person holding such judgment is  
 4 entitled to recover, together with interest thereon from the  
 5 date of payment under protest, at the greater of:

6 (i) the rate of interest generated from the pooled  
 7 investment fund provided for in 17-6-203 for the applicable  
 8 period; or

9 (ii) 6% a year.

10 (c) If the amount retained in the protest fund is  
 11 insufficient to pay all sums due the taxpayer, the treasurer  
 12 shall apply the available amount first to tax repayment,  
 13 then interest owed, and lastly to costs.

14 (d) If the protest action is decided adversely to a  
 15 taxing jurisdiction and the amount retained in the protest  
 16 fund is insufficient to refund the tax payments and costs to  
 17 which the taxpayer is entitled and for which local  
 18 government units are responsible, the treasurer shall bill  
 19 and the taxing jurisdiction shall refund to the treasurer  
 20 that portion of the taxpayer refund, including tax payments  
 21 and costs, for which the taxing jurisdiction is proratably  
 22 responsible.

23 (e) In satisfying the requirements of subsection  
 24 (8)(d), the taxing jurisdiction is allowed not more than 1  
 25 year from the beginning of the fiscal year following a final

1 resolution of the protest. The taxpayer is entitled to  
 2 interest on the unpaid balance at the greater of the rates  
 3 referred to in subsections (8)(b)(i) and (8)(b)(ii) from the  
 4 date of payment under protest until the date of final  
 5 resolution of the protest and at the combined rate of the  
 6 federal reserve discount rate quoted from the federal  
 7 reserve bank in New York, New York, on the date of final  
 8 resolution, plus four percentage points, from the date of  
 9 final resolution of the protest until refund is made.

10 (9) A taxing jurisdiction may satisfy the requirements  
 11 of this section by use of funds from one or more of the  
 12 following sources:

13 (a) imposition of a property tax to be collected by a  
 14 special tax protest refund levy;

15 (b) the general fund, except that amount generated by  
 16 the all-purpose mill levy, or any other funds legally  
 17 available to the governing body; and

18 (c) proceeds from the sale of bonds issued by a county,  
 19 city, or school district for the purpose of deriving revenue  
 20 for the repayment of tax protests lost by the taxing  
 21 jurisdiction. The governing body of a county, city, or  
 22 school district is hereby authorized to issue such bonds  
 23 pursuant to procedures established by law. The bonds may be  
 24 issued without being submitted to an election. Property  
 25 taxes may be levied to amortize the bonds."

1 **Section 7.** Section 15-6-133, MCA, is amended to read:

2 "15-6-133. Class three property -- description --  
 3 taxable percentage. (1) Class three property includes  
 4 agricultural land as defined in 15-7-202.

5 (2) Class three property is taxed at the taxable  
 6 percentage rate "P" of its productive capacity.

7 ~~(3) -- Until July 17, 1986, the~~ The taxable percentage rate  
 8 "P" for class three property is 30%.

9 ~~(4) -- Prior to July 17, 1986, the department of revenue~~  
 10 ~~shall determine the taxable percentage rate "P" applicable~~  
 11 ~~to class three property for the revaluation cycle beginning~~  
 12 ~~January 17, 1986, as follows:~~

13 ~~(a) -- The director of the department of revenue shall~~  
 14 ~~certify to the governor before July 17, 1986, the percentage~~  
 15 ~~by which the appraised value of all property in the state~~  
 16 ~~classified under class three as of January 17, 1986, has~~  
 17 ~~increased due to the revaluation conducted under 15-7-111.~~  
 18 ~~This figure is the "certified statewide percentage~~  
 19 ~~increase".~~

20 ~~(b) -- The taxable value of property in class three is~~  
 21 ~~determined as a function of the certified statewide~~  
 22 ~~percentage increase in accordance with the table shown~~  
 23 ~~below:~~

24 ~~(c) -- This table limits the statewide increase in taxable~~  
 25 ~~valuation resulting from reappraisal to 0% in calculating~~



1 the--percentage--increase--the--department--may--not--consider  
2 agricultural--use--changes--during--calendar--year--1985:

3 (d)--The--taxable--percentage--must--be--calculated--by  
4 interpolation--to--coincide--with--the--nearest--whole--number  
5 certified--statewide--percentage--increase--from--the--following  
6 table:

7 Certified-Statewide 8 Percentage-Increase	9 Class-Three-Taxable 10 Percentage- <sup>PM</sup>
11 -0	12 30-00
13 10	14 27-27
15 20	16 25-00
17 30	18 23-00
19 40	20 21-43
21 50	22 20-00

23 (5)--After--July--17--1986--no--adjustment--may--be--made--by  
24 the--department--to--the--taxable--percentage--rate--<sup>PM</sup>--until--a  
25 revaluation--has--been--made--as--provided--in--15-7-1117."

26 **Section 8.** Section 15-6-134, MCA, is amended to read:

27 "15-6-134. Class four property -- description --  
28 taxable percentage. (1) Class four property includes:

- 29 (a) all land except that specifically included in  
30 another class;
- 31 (b) all improvements except those specifically included  
32 in another class;
- 33 (c) the first \$80,000 or less of the market value of

1 any improvement on real property and appurtenant land not  
2 exceeding 5 acres owned or under contract for deed and  
3 actually occupied for at least 10 months a year as the  
4 primary residential dwelling of any person whose total  
5 income from all sources including otherwise tax-exempt  
6 income of all types is not more than \$10,000 for a single  
7 person or \$12,000 for a married couple--as--adjusted  
8 according-to-subsection-(2)(b)(ii);

9 (d) all golf courses, including land and improvements  
10 actually and necessarily used for that purpose, that consist  
11 of at least 9 holes and not less than 3,000 lineal yards.

12 (2) Class-four-property-is-taxed-as-follows:

13 (a) Except as provided in 15-24-1402 or 15-24-1501,  
14 class four property described--in--subsections-(1)(a)-and  
15 (1)(b) is taxed at 3.86% of its market value.

16 (b)-(i) Property--described--in--subsection--(1)(c)--is  
17 taxed--at--3.86%--of--its--market--value--multiplied--by--a  
18 percentage--figure--based--on--income--and--determined--from--the  
19 following-table:

20 Income	21 Income	22 Percentage
23 Single-Person	24 Married-Couple	25 Multiplier
26 \$----0---\$-17,000	27 \$-----0---\$-17,200	28 -0%
29 -17,001-----27,000	30 -17,201-----27,400	31 10%
32 -27,001-----37,000	33 -27,401-----37,600	34 20%
35 -37,001-----47,000	36 -37,601-----47,800	37 30%

1	-4700±-----57000	-4780±-----67000	40%
2	-5700±-----67000	-6700±-----77200	50%
3	-6700±-----77000	-7720±-----87400	60%
4	-7700±-----87000	-8740±-----97600	70%
5	-8700±-----97000	-9760±-----107800	80%
6	-9700±-----107000	10780±-----127000	90%

7 (ii) The income levels contained in the table in  
8 subsection (2)(b)(i) must be adjusted for inflation annually  
9 by the department of revenue. The adjustment to the income  
10 levels is determined by:

11 (A) multiplying the appropriate dollar amount from the  
12 table in subsection (2)(b)(i) by the ratio of the PEE for  
13 the second quarter of the year prior to the year of  
14 application to the PEE for the second quarter of 1986, and  
15 (B) rounding the product thus obtained to the nearest  
16 whole dollar amount.

17 (iii) "PEE" means the implicit price deflator for  
18 personal consumption expenditures as published quarterly in  
19 the Survey of Current Business by the bureau of economic  
20 analysis of the U.S. department of commerce.

21 (c) Property described in subsection (1)(d) is taxed at  
22 one-half the taxable percentage rate established in  
23 subsection (2)(a).

24 (3) After July 1, 1986, no adjustment may be made by  
25 the department to the taxable percentage rate for class four

1 property until a revaluation has been made as provided in  
2 15-7-111.

3 (4)(3) Within the meaning of comparable property as  
4 defined in 15-1-101, property assessed as commercial  
5 property is comparable only to other property assessed as  
6 commercial property, and property assessed as other than  
7 commercial property is comparable only to other property  
8 assessed as other than commercial property."

9 **Section 9.** Section 15-6-142, MCA, is amended to read:

10 "15-6-142. Class twelve property -- description --  
11 taxable percentage. (1) Class twelve property includes:

12 (a) a trailer or mobile home used as a residence except  
13 when:

14 (i) held by a distributor or dealer of trailers or  
15 mobile homes as his stock in trade; or

16 (ii) specifically included in another class;

17 (b) the first \$80,000 or less of the market value of a  
18 trailer or mobile home used as a residence and actually  
19 occupied for at least 10 months a year as the primary  
20 residential dwelling of any person whose total income from  
21 all sources including otherwise tax-exempt income of all  
22 types is not more than \$10,000 for a single person or  
23 \$12,000 for a married couple, as adjusted according to  
24 15-6-134(2)(b)(iii).

25 (2) Class twelve property is taxed as follows:

1        ~~(a)--Property described in subsection (1)(a) that is not~~  
 2 ~~of the type described in subsection (1)(b) is taxed~~ at 3.86%  
 3 of its market value.

4        ~~(b)--Property described in subsection (1)(b) is taxed at~~  
 5 ~~3.86%--of-its-market-value-multiplied-by-a-percentage-figure~~  
 6 ~~based-on-income-and-determined-from-the-table-established-in~~  
 7 ~~subsection (2)(b)(i) of 15-6-134.~~"

8        **Section 10.** Section 15-7-102, MCA, is amended to read:

9        "15-7-102. Notice of classification and appraisal to  
 10 owners -- appeals. (1) It shall be the duty of the  
 11 department of revenue, through its agent as specified in  
 12 subsection (2), to cause to be mailed to each owner and  
 13 purchaser under contract for deed a notice of the  
 14 classification of the land owned or being purchased by him  
 15 and the appraisal of the improvements on the land only if  
 16 one or more of the following changes pertaining to the land  
 17 or improvements have been made since the last notice:

18        (a) change in ownership;

19        (b) change in classification;

20        (c) change in valuation, including an adjustment in  
 21 valuation made pursuant to 15-7-111; or

22        (d) addition or subtraction of personal property  
 23 affixed to the land.

24        (2) The county assessor shall assign each assessment to  
 25 the correct owner or purchaser under contract for deed and

1        mail the notice of classification and appraisal on a  
 2 standardized form, adopted by the department, containing  
 3 sufficient information in a comprehensible manner designed  
 4 to fully inform the taxpayer as to the classification and  
 5 appraisal of his property and of changes over the prior tax  
 6 year.

7        (3) If the owner of any land and improvements is  
 8 dissatisfied with the appraisal or classification of his  
 9 land or improvements, he may submit his objection in writing  
 10 to the department's agent. The department shall give  
 11 reasonable notice to the taxpayer of the time and place of  
 12 hearing and hear any testimony or other evidence that the  
 13 taxpayer may desire to produce at that time and afford the  
 14 opportunity to other interested persons to produce evidence  
 15 at the hearing. After the hearing, the department shall  
 16 determine the true and correct appraisal and classification  
 17 of the land or improvements and notify the taxpayer of its  
 18 determination. In the notification, the department must  
 19 state its reasons for revising the classification or  
 20 appraisal. When the proper appraisal and classification have  
 21 been determined, the land shall be classified and the  
 22 improvements appraised in the manner ordered by the  
 23 department.

24        (4) Whether a hearing as provided in subsection (3) is  
 25 held or not, the department or its agent may not adjust an

1 appraisal or classification upon taxpayer's objection  
2 unless:

3 (a) the taxpayer has submitted his objection in  
4 writing; and

5 (b) the department or its agent has stated its reason  
6 in writing for making the adjustment.

7 (5) A taxpayer's written objection to a classification  
8 or appraisal and the department's notification to the  
9 taxpayer of its determination and the reason for that  
10 determination are public records. Each county appraiser  
11 shall make the records available for inspection during  
12 regular office hours.

13 (6) If any property owner feels aggrieved at the  
14 classification and/or the appraisal made by the department,  
15 he shall have the right to appeal to the county tax appeal  
16 board and then to the state tax appeal board, whose findings  
17 shall be final subject to the right of review in the courts.  
18 The property owner may appeal the base year valuation, the  
19 adjusted valuation, and the classification determination.  
20 The property owner may not appeal the yearly percentage  
21 adjustments that are specified in 15-7-111 and that may be  
22 made as a result of the sales assessment ratio study, the  
23 stratum, or area designations as specified in 15-7-111.

24 (7) The percentage adjustments, stratum, and area  
25 designations must be adopted by administrative rule. An

1 annual hearing must be held to accept testimony on the  
2 percentage adjustments, stratum, and area designations. The  
3 department shall present its findings and the proposed rules  
4 to the revenue oversight committee."

5 **Section 11.** Section 15-7-103, MCA, is amended to read:

6 **"15-7-103. Classification and appraisal -- general and**  
7 **uniform methods.** (1) It is the duty of the department of  
8 revenue to implement the provisions of 15-7-101 through  
9 15-7-103 by providing:

10 (a) for a general and uniform method of classifying  
11 lands in the state for the purpose of securing an equitable  
12 and uniform basis of assessment of said lands for taxation  
13 purposes;

14 (b) for a general and uniform method of appraising city  
15 and town lots;

16 (c) for a general and uniform method of appraising  
17 rural and urban improvements;

18 (d) for a general and uniform method of appraising  
19 timberlands.

20 (2) All lands shall be classified according to their  
21 use or uses and graded within each class according to soil  
22 and productive capacity. In such classification work, use  
23 shall be made of soil surveys and maps and all other  
24 pertinent available information.

25 (3) All lands must be classified by parcels or

1 subdivisions not exceeding 1 section each, by the sections,  
 2 fractional sections, or lots of all tracts of land that have  
 3 been sectionized by the United States government, or by  
 4 metes and bounds, whichever yields a true description of the  
 5 land.

6 (4) All agricultural lands must be classified and  
 7 appraised as agricultural lands without regard to the best  
 8 and highest value use of adjacent or neighboring lands.

9 ~~(5) -- In any periodic revaluation of taxable property~~  
 10 ~~completed under the provisions of 15-7-111 after January 1,~~  
 11 ~~1987, all property classified in 15-6-134 must be appraised~~  
 12 ~~on its market value in the same year. The department shall~~  
 13 ~~publish a rule specifying the year used in the appraisal.~~

14 (6)(5) All sewage disposal systems and domestic use  
 15 water supply systems of all dwellings may not be appraised,  
 16 assessed, and taxed separately from the land, house, or  
 17 other improvements in which they are located. In no event  
 18 may the sewage disposal or domestic water supply systems be  
 19 included twice by including them in the valuation and  
 20 assessing them separately."

21 **Section 12.** Section 15-7-113, MCA, is amended to read:

22 "15-7-113. Program exclusive. No program for the  
 23 revaluation of property shall be implemented for taxation in  
 24 any county other than as prescribed in 15-7-111 through  
 25 15-7-114 and [sections 2 through 5]."

1 **Section 13.** Section 15-7-114, MCA, is amended to read:

2 "15-7-114. Law supplemental. Sections 15-7-111 through  
 3 15-7-114 and [sections 2 through 5] are intended to be  
 4 supplementary to and are not intended to repeal 15-7-103."

5 **Section 14.** Section 15-7-201, MCA, is amended to read:

6 "15-7-201. (Applicable to ~~1991~~ 1993 land valuation  
 7 schedules) Legislative intent -- value of agricultural  
 8 property. (1) Since the market value of many agricultural  
 9 properties is based upon speculative purchases which do not  
 10 reflect the productive capability of agricultural land, it  
 11 is the legislative intent that bona fide agricultural  
 12 properties shall be classified and assessed at a value that  
 13 is exclusive of values attributed to urban influences or  
 14 speculative purposes.

15 (2) Agricultural land shall be classified according to  
 16 its use, which classifications shall include but not be  
 17 limited to irrigated use, nonirrigated use, and grazing use.

18 (3) Within each class, land shall be assessed at a  
 19 value that is fairly based on its productive capacity.

20 (4) In computing the agricultural land valuation  
 21 schedules to take effect on January 1, ~~1991~~ or on the date  
 22 ~~that the revaluation cycle commencing January 2, 1987, takes~~  
 23 ~~effect pursuant to 15-7-111~~ 1993, the department of revenue  
 24 shall determine the productive capacity value of all  
 25 agricultural lands using the formula  $V = I/R$  where:

1 (a) V is the per-acre productive capacity value of  
2 agricultural land in each land use and production category;

3 (b) I is the per-acre net income of agricultural land  
4 in each land use and production category and is to be  
5 determined by the department using the formula  $I = (P - C) U$   
6 where:

7 (i) I is the per-acre net income;

8 (ii) P is the per-unit price of the commodity being  
9 produced;

10 (iii) C is the per-unit production cost of the commodity  
11 being produced; and

12 (iv) U is the yield in units per acre; and

13 (c) R is the capitalization rate to be determined by  
14 the department as provided in subsection (9).

15 (5) Net income shall be:

16 (a) calculated for each year of a base period, which is  
17 the most recent 3-year period for which data are available;  
18 ~~prior-to-a-revaluation-of-property-as-provided-in--15-7-111;~~  
19 and

20 (b) based on commodity price and production cost data  
21 for the base period from such sources as may be considered  
22 appropriate by the department, which sources shall include  
23 Montana state university.

24 (6) To the degree available, the department shall  
25 compile:

1 (a) commodity price data reflecting the average prices  
2 received per unit of measure by Montana farmers and  
3 ranchers. Such data may be obtained from all geographical  
4 areas of the state. Commodity prices may include wheat,  
5 barley, alfalfa hay, grass hay, corn for grain, corn for  
6 silage, sugar beets, dry beans, potatoes, cattle, and sheep.  
7 Government payments may be considered. Typical rental  
8 arrangements may be considered.

9 (b) production cost data reflecting average costs per  
10 unit of measure paid by Montana farmers and ranchers. Such  
11 data may be obtained from all geographical areas of the  
12 state. Such production costs may include costs relating to  
13 irrigation, fertilization, fuel, seed, weed control, hired  
14 labor, management, insurance, repairs and maintenance, and  
15 miscellaneous items. Variations in specific production cost  
16 data, when affected by different levels of production, and  
17 typical rental arrangements may be considered.

18 (7) The department shall appoint an advisory committee  
19 of persons knowledgeable in agriculture and agricultural  
20 economics to review the data prepared by Montana state  
21 university and advise the department on the implementation  
22 of subsections (2) through (6). The advisory committee shall  
23 include one member of the Montana state university staff.

24 (8) Net income shall be determined separately for lands  
25 in irrigated use, nonirrigated use, and grazing use and

1 shall be calculated for each use and production level  
2 according to the provisions of subsections (4) through (7).

3 (9) The capitalization rate shall be calculated for  
4 each year of the base period and is the annual average  
5 interest rate on agricultural loans as reported by the  
6 federal land bank association of Spokane, Washington, plus  
7 the effective tax rate in Montana.

8 (10) The effective tax rate shall be calculated by the  
9 department for each year of the base period by dividing the  
10 total estimated tax due on agricultural land in the state by  
11 the total productive capacity value of agricultural land in  
12 the state."

13 **Section 15.** Section 15-7-202, MCA, is amended to read:

14 \*15-7-202. Eligibility of land for valuation as  
15 agricultural. (1) Contiguous parcels of land totaling 20  
16 acres or more under one ownership shall be eligible for  
17 valuation, assessment, and taxation as agricultural land  
18 each year that none of the parcels is devoted to a  
19 commercial or industrial use.

20 (2) Contiguous or noncontiguous parcels of land  
21 totaling less than 20 acres under one ownership that are  
22 actively devoted to agricultural use shall be eligible for  
23 valuation, assessment, and taxation as herein provided each  
24 year the parcels meet any of the following qualifications:

25 (a) the parcels produce and the owner or the owner's

1 agent, employee, or lessee markets not less than \$1,500 in  
2 annual gross income from the raising of livestock, poultry,  
3 field crops, fruit, and other animal and vegetable matter  
4 for food or fiber; or

5 (b) the parcels would have met the qualification set  
6 out in subsection (2)(a) were it not for independent  
7 intervening causes of production failure beyond the control  
8 of the producer or marketing delay for economic advantage,  
9 in which case proof of qualification in a prior year will  
10 suffice.

11 (3) Parcels that do not meet the qualifications set out  
12 in subsections (1) and (2) shall not be classified or valued  
13 as agricultural if they are part of a platted subdivision  
14 that is filed with the county clerk and recorder in  
15 compliance with the Montana Subdivision and Platting Act.

16 (4) Land shall not be classified or valued as  
17 agricultural if it is subdivided with stated restrictions  
18 prohibiting its use for agricultural purposes.

19 (5) The grazing on land by a horse or other animals  
20 kept as a hobby and not as a part of a bona fide  
21 agricultural enterprise shall not be considered a bona fide  
22 agricultural operation.

23 (6) If land has been valued, assessed, and taxed as  
24 agricultural land in any year, it shall continue to be so  
25 valued, assessed, and taxed until the department

1 reclassifies the property. ~~A reclassification does not mean~~  
2 ~~revaluation pursuant to 15-7-111.~~

3 (7) For the purposes of this part, growing timber is  
4 not an agricultural use. (Subsection (7) terminates January  
5 1, 1991--sec. 10, Ch. 681, L. 1985.)"

6 **Section 16.** Section 15-10-412, MCA, is amended to read:

7 **"15-10-412. Property tax limited to 1986 levels --**  
8 **clarification -- extension to all property classes.** Section  
9 15-10-402 is interpreted and clarified as follows:

10 (1) The limitation to 1986 levels is extended to apply  
11 to all classes of property described in Title 15, chapter 6,  
12 part 1.

13 (2) The limitation on the amount of taxes levied is  
14 interpreted to mean that, except as otherwise provided in  
15 this section, the actual tax liability for an individual  
16 property is capped at the dollar amount due in each taxing  
17 unit for the 1986 tax year. In tax years thereafter, the  
18 property must be taxed in each taxing unit at the 1986 cap  
19 or the product of the taxable value and mills levied,  
20 whichever is less for each taxing unit, except in a taxing  
21 unit that levied a tax in tax years 1983 through 1985 but  
22 did not levy a tax in 1986, in which case the actual tax  
23 liability for an individual property is capped at the dollar  
24 amount due in that taxing unit for the 1985 tax year.

25 (3) The limitation on the amount of taxes levied does

1 not mean that no further increase may be made in the total  
2 taxable valuation of a taxing unit as a result of:

3 (a) annexation of real property and improvements into a  
4 taxing unit;

5 (b) construction, expansion, or remodeling of  
6 improvements;

7 (c) transfer of property into a taxing unit;

8 (d) subdivision of real property;

9 (e) reclassification of property;

10 (f) increases in the amount of production or the value  
11 of production for property described in 15-6-131 or  
12 15-6-132;

13 (g) transfer of property from tax-exempt to taxable  
14 status;

15 (h) revaluations caused by:

16 (i) cyclical reappraisal; or

17 (ii) expansion, addition, replacement, or remodeling of  
18 improvements; or

19 (i) increases in property valuation pursuant to  
20 15-7-111~~(4)~~ through ~~(8)~~ in order to equalize property values  
21 annually.

22 (4) The limitation on the amount of taxes levied does  
23 not mean that no further increase may be made in the taxable  
24 valuation or in the actual tax liability on individual  
25 property in each class as a result of:



1 (a) a revaluation caused by:  
 2 (i) construction, expansion, replacement, or remodeling  
 3 of improvements that adds value to the property; or  
 4 (ii) cyclical reappraisal;  
 5 (b) transfer of property into a taxing unit;  
 6 (c) reclassification of property;  
 7 (d) increases in the amount of production or the value  
 8 of production for property described in 15-6-131 or  
 9 15-6-132;  
 10 (e) annexation of the individual property into a new  
 11 taxing unit;  
 12 (f) conversion of the individual property from  
 13 tax-exempt to taxable status; or  
 14 (g) increases in property valuation pursuant to  
 15 15-7-111~~(4)~~-through-~~(8)~~ in order to equalize property values  
 16 annually.  
 17 (5) Property in classes four, twelve, and fourteen is  
 18 valued according to the procedures used in 1986, including  
 19 the designation of 1982 as the base year, until the  
 20 reappraisal cycle beginning January 1, 1986, is completed  
 21 and new valuations are placed on the tax rolls and a new  
 22 base year designated, if the property is:  
 23 (a) new construction;  
 24 (b) expanded, deleted, replaced, or remodeled  
 25 improvements;

1 (c) annexed property; or  
 2 (d) property converted from tax-exempt to taxable  
 3 status.  
 4 (6) Property described in subsections (5)(a) through  
 5 (5)(d) that is not class four, class twelve, or class  
 6 fourteen property is valued according to the procedures used  
 7 in 1986 but is also subject to the dollar cap in each taxing  
 8 unit based on 1986 mills levied.  
 9 (7) The limitation on the amount of taxes, as clarified  
 10 in this section, is intended to leave the property appraisal  
 11 and valuation methodology of the department of revenue  
 12 intact. Determinations of county classifications, salaries  
 13 of local government officers, and all other matters in which  
 14 total taxable valuation is an integral component are not  
 15 affected by 15-10-401 and 15-10-402 except for the use of  
 16 taxable valuation in fixing tax levies. In fixing tax  
 17 levies, the taxing units of local government may anticipate  
 18 the deficiency in revenues resulting from the tax  
 19 limitations in 15-10-401 and 15-10-402, while understanding  
 20 that regardless of the amount of mills levied, a taxpayer's  
 21 liability may not exceed the dollar amount due in each  
 22 taxing unit for the 1986 tax year unless:  
 23 (a) the taxing unit's taxable valuation decreases by 5%  
 24 or more from the 1986 tax year. If a taxing unit's taxable  
 25 valuation decreases by 5% or more from the 1986 tax year, it

1 may levy additional mills to compensate for the decreased  
2 taxable valuation, but in no case may the mills levied  
3 exceed a number calculated to equal the revenue from  
4 property taxes for the 1986 tax year in that taxing unit.

5 (b) a levy authorized under Title 20 raised less  
6 revenue in 1986 than was raised in either 1984 or 1985, in  
7 which case the taxing unit may, after approval by the voters  
8 in the taxing unit, raise each year thereafter an additional  
9 number of mills but may not levy more revenue than the  
10 3-year average of revenue raised for that purpose during  
11 1984, 1985, and 1986;

12 (c) a levy authorized in 50-2-111 that was made in 1986  
13 was for less than the number of mills levied in either 1984  
14 or 1985, in which case the taxing unit may, after approval  
15 by the voters in the taxing unit, levy each year thereafter  
16 an additional number of mills but may not levy more than the  
17 3-year average number of mills levied for that purpose  
18 during 1984, 1985, and 1986.

19 (8) The limitation on the amount of taxes levied does  
20 not apply to the following levy or special assessment  
21 categories, whether or not they are based on commitments  
22 made before or after approval of 15-10-401 and 15-10-402:

- 23 (a) rural improvement districts;
- 24 (b) special improvement districts;
- 25 (c) levies pledged for the repayment of bonded

1 indebtedness, including tax increment bonds;

2 (d) city street maintenance districts;

3 (e) tax increment financing districts;

4 (f) satisfaction of judgments against a taxing unit;

5 (g) street lighting assessments;

6 (h) revolving funds to support any categories specified  
7 in this subsection (8);

8 (i) levies for economic development authorized pursuant  
9 to 90-5-112(4); and

10 (j) elementary and high school districts.

11 (9) The limitation on the amount of taxes levied does  
12 not apply in a taxing unit if the voters in the taxing unit  
13 approve an increase in tax liability following a resolution  
14 of the governing body of the taxing unit containing:

15 (a) a finding that there are insufficient funds to  
16 adequately operate the taxing unit as a result of 15-10-401  
17 and 15-10-402;

18 (b) an explanation of the nature of the financial  
19 emergency;

20 (c) an estimate of the amount of funding shortfall  
21 expected by the taxing unit;

22 (d) a statement that applicable fund balances are or by  
23 the end of the fiscal year will be depleted;

24 (e) a finding that there are no alternative sources of  
25 revenue;

1 (f) a summary of the alternatives that the governing  
2 body of the taxing unit has considered; and

3 (g) a statement of the need for the increased revenue  
4 and how it will be used.

5 (10) (a) The limitation on the amount of taxes levied  
6 does not apply to levies required to address the funding of  
7 relief of suffering of inhabitants caused by famine,  
8 conflagration, or other public calamity.

9 (b) The limitation set forth in this chapter on the  
10 amount of taxes levied does not apply to levies to support a  
11 city-county board of health as provided in Title 50, chapter  
12 2, if the governing bodies of the taxing units served by the  
13 board of health determine, after a public hearing, that  
14 public health programs require funds to ensure the public  
15 health. A levy for the support of a local board of health  
16 may not exceed the 5-mill limit established in 50-2-111.

17 (11) The limitation on the amount of taxes levied by a  
18 taxing jurisdiction subject to a statutory maximum mill levy  
19 does not prevent a taxing jurisdiction from increasing its  
20 number of mills beyond the statutory maximum mill levy to  
21 produce revenue equal to its 1986 revenue.

22 (12) The limitation on the amount of taxes levied does  
23 not apply to a levy increase to repay taxes paid under  
24 protest in accordance with 15-1-402."

25 **Section 17.** Section 77-1-208, MCA, is amended to read:

1 **"77-1-208. Cabin site licenses and leases -- method of**  
2 **establishing value.** (1) The board shall set the annual fee  
3 for each cabin site subject to a license or lease in effect  
4 on January 1, 1988, for each licensee or lessee who at any  
5 time wishes to continue or assign his license or lease. The  
6 fee must be 3.5% of the appraisal of the cabin site value as  
7 determined by the department of revenue or \$150, whichever  
8 is greater. The licensee or lessee has the option to pay the  
9 entire fee on March 1 or to divide the fee into two equal  
10 payments due March 1 and September 1. The value may be  
11 increased or decreased as a result of the statewide-periodic  
12 revaluation-of-property percentage adjustments made pursuant  
13 to 15-7-111. An appeal of a cabin site value determined by  
14 the department of revenue shall be conducted pursuant to  
15 Title 15, chapter 2.

16 (2) The board shall set the fee of each initial cabin  
17 site license or lease or each current cabin site license or  
18 lease of a person who does not choose to retain the license  
19 or lease. The initial fee must be based upon a system of  
20 competitive bidding. The fee for a person who wishes to  
21 retain that license or lease must be determined under the  
22 method provided for in subsection (1).

23 (3) The board shall follow the procedures set forth in  
24 77-6-302 through 77-6-306 for the disposal or valuation of  
25 any fixtures or improvements placed upon the property by the

1 then-current licensee or lessee and shall require the  
2 subsequent licensee or lessee whose bid is accepted by the  
3 board to purchase those fixtures or improvements in the  
4 manner required by the board.

5 (4) Nothing in this section may be construed as a  
6 delegation of rulemaking authority to the board."

7 NEW SECTION. **Section 18.** Codification instruction.  
8 [Sections 2 through 5] are intended to be codified as an  
9 integral part of Title 15, chapter 7, part 1, and the  
10 provisions of Title 15, chapter 7, part 1, apply to  
11 [sections 2 through 5].

12 NEW SECTION. **Section 19.** Repealer. Sections 15-7-131,  
13 15-7-132, and 15-7-133, MCA, are repealed.

14 NEW SECTION. **Section 20.** Effective date --  
15 applicability. [This act] is effective January 1, 1992, and  
16 applies to all tax years beginning after December 31, 1991.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0750, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act to amend the laws on sales assessment ratio studies; to allow appeals regarding value after the sales assessment ratio percentage adjustment; to require that the sales assessment ratio studies be developed by a statistician who is not an employee of the Department of Revenue; to establish an independent group of statisticians to review the study; to require that an area be reappraised if the coefficient of dispersion of appraised value to average selling price exceeds 15 percent; to provide for a phase-in of annual adjustments that exceed 10 percent; to require the use of standards for appraising property without other statutory standards; to delete the periodic property revaluation cycle; and providing a delayed effective date and an applicability date.

ASSUMPTIONS:

1. Change in statewide total taxable valuation due to sales assessment ratio studies for FY92 and FY93 would be small.
2. In FY93, the decrease in statewide total taxable valuation due to exempting the first \$80,000 in market value of an owner occupied primary residential improvement for qualifying low income residents is estimated to be (\$5,407,128), resulting in property tax revenue decrease of (\$32,443) for universities, (\$216,285) for state equalization, (\$465,561) for counties, (\$944,790) for schools, and (\$304,646) for cities and towns.
3. In FY93, the increase in statewide total taxable valuation due to increasing the tax rate on qualifying golf course property is estimated to be \$581,570, resulting in property tax revenue increase of \$3,489 for universities, \$23,263 for state equalization, \$49,874 for counties, \$105,047 for schools, and \$7,999 for cities and towns.
4. The coefficient of dispersion (COD) defined in sections 1 and 3 is meant to be the COD of sales ratios with respect to the value weighted mean.
5. It is assumed that the language in section 4 of the proposal phases-in increases in valuations in a three-year period by limiting the percentage adjustments in the first and second years to no more than 10%, while allowing the percentage adjustment in the third year to exceed 10%.
6. The proposal will require reappraising approximately 548,430 of the total 703,080 statewide parcels in FY92. It is estimated that 351,000 parcels ( one half of the state) would need reappraisal in FY93. This reappraisal effort does not include agricultural land and timberland. The net effect of this reappraisal effort will be to accomplish the reappraisal task "Final Determination of Value" one year earlier than identified in the Montana Reappraisal Plan.
7. The proposal would require expenditures in FY92 of \$2,885,904 (\$1,514,022 for personal services, 65.50 FTE, \$776,139 for operating expenses, and \$595,743 in equipment costs). The proposal would require expenditures in FY93 of \$1,520,271 (\$915,459 for personal services, 40.00 FTE and \$604,812 in operating expenses).

FISCAL IMPACT:

see next page

  
ROD SUNDSTED, BUDGET DIRECTOR      DATE 2-22-91  
Office of Budget and Program Planning

JOHN COBB, PRIMARY SPONSOR

DATE

Fiscal Note for HB0750, as introduced

HB 750

Fiscal Note Request HB0750, as introduced

Form BD-15

page 2

FISCAL IMPACT:

<u>Expenditures:</u>	<u>FY '92</u>			<u>FY '93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
F.T.E.	0	65.50	65.50	0	40.00	40.00
Personal Services	0	1,514,022	1,514,022	0	915,459	915,459
Operating Expenses	0	776,139	776,139	0	604,812	604,812
Equipment Costs	0	595,743	595,743	0	0	0
Total	0	2,885,904	2,885,904	0	1,520,271	1,520,271
<u>Funding:</u>						
General Fund	0	2,885,904	2,885,904	0	1,520,271	1,520,271

Revenues:

The proposal would decrease state property revenues in FY93 and subsequent fiscal years by the following amounts: \$28,954 for universities and \$193,022 for state equalization.

The proposal would decrease local property revenues in FY93 and subsequent fiscal years by the following amounts: \$415,687 for counties, \$839,743 for schools, and \$296,647 for cities and towns.

Impact to General Fund (2,885,904) (1,520,271)

TECHNICAL NOTES:

1. The proposal is not clear in its intent to exempt the first \$80,000 in market value of owner occupied primary residential improvement for qualifying low income residents.
2. In section 1, it is not clear what the role of the non-department statistician would be. The phrase "the study must be developed" is very general. The extent of the statistician's involvement could range from small (analyzing data provided by the department) to extensive (designing and directing the entire sales ratio study from initial planning, to data collection, through to statistical analysis and recommendations).
3. In section 3, the proposal sets an appraisal standard based on a statistical measure (coefficient of dispersion) which is incorrectly defined. Even when correctly defined, the standard of 15% is unreasonably applied with respect to the sales assessment ratio study conducted in Montana. In Montana, the property in each area can be considered to be older and heterogeneous, that is, property included in the analysis for an area is diverse. In such areas, the International Association of Assessing Officers (IAAO) state in their text Improving Real Property Assessment, that a COD of 15% "would typically indicate good performance". The same text reveals that in a survey of results of sales assessment ratio studies conducted by taxing jurisdictions throughout the United States, only 25% of those jurisdictions obtained a COD of less than 15%. It should be noted that this survey was of sales assessment ratio studies conducted on single-family residences, a much more homogeneous group of property than the property studied in Montana and therefore susceptible to lower COD's. Since commercial property is more heterogeneous than residential property, the standard for an acceptable COD level should be higher than that set for residential property.

(continued on next page)

HB 750

TECHNICAL NOTES: (continued)

4. The phase-in of valuation language in section 4 is confusing. It would be more simply put to read "The percentage adjustment in the first and second year may not exceed 10%. The percentage adjustment in the third year may exceed 10%."
5. Since the proposal addresses only residential land and improvements, agricultural 1-acre homesites and improvements, and commercial land and improvements, and eliminates language requiring periodic revaluation of all taxable property within the state, there is no specific language in statute requiring the revaluation of agricultural land and timberland after 1993.